Real Resources Inc.

1999 Annual Report

CONTENTS

ANNUAL MEETING

You are cordially invited to attend the Annual General and Special Meeting of the Shareholders of Real Resources Inc. which will be held on May 18, 2000 at the Selkirk Conference Centre on the second floor at 555 - 4th Avenue S.W., Calgary, Alberta, at 3:00 p.m.

If unable to attend, shareholders are requested to complete and return the Proxy form to the Secretary of the Company.

ABBREVIATIONS

bbls	barrels
mbbls	thousand barrels
bbl/d	barrels of oil per day
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mmcf	million cubic feet
boe	barrels of oil equivalent where natural gas is equated to oil using 10 mcf = 1 barrel of oil
mboe	thousand barrels of oil equivalent
NGL	natural gas liquids

FINANCIAL

($ thousands, except per share data)	1999	1998	% Change
Petroleum and natural gas revenue	**15,816**	9,872	60
Cash flow from operations	**8,061**	2,768	191
Per share *(basic)*	**0.13**	0.07	86
Per share *(fully diluted)*	**0.13**	0.07	86
Net earnings *(loss)*	**4,569**	(19,486)	
Per share *(basic)*	**0.08**	(0.49)	
Per share *(fully diluted)*	**0.07**	(0.49)	
Capital expenditures	**12,060**	18,875	(36)
Corporate acquisition	**–**	990	
Long term debt	**3,789**	8,998	(58)
Shareholders' equity	**23,118**	16,067	44
Common shares outstanding *(thousands)*			
Basic	**64,113**	47,692	34
Fully diluted	**70,466**	52,462	34

OPERATING

Production			
Crude oil and NGLs *(bbl/d)*	**1,665**	1,608	4
Natural gas *(mcfd)*	**344**	396	(13)
Barrels of oil equivalent *(boe/d)*	**1,699**	1,648	3
Prices			
Crude oil and NGLs *($/bbl)*	**25.38**	16.27	56
Natural gas *($/mcf)*	**2.29**	1.74	32
Reserves			
Crude oil and NGLs *(mmbbls)*			
Proved	**4.9**	4.1	20
Proved plus probable	**7.7**	7.0	10
Natural gas *(bcf)*			
Proved	**7.6**	5.1	49
Proved plus probable	**12.8**	12.3	4
Undeveloped land holdings			
Gross acres *(thousands)*	**229**	191	20
Net acres *(thousands)*	**98**	96	2
Wells drilled *(working interest)*			
Gross	**22**	35	(37)
Net	**14**	21	(33)

For Real Resources Inc., 1999 was the most successful year in our Company's history — successful in terms of achieving record production, revenue, cash flow and earnings; successful in terms of significantly increasing our undeveloped land base and exploration prospect inventory; successful in terms of substantially reducing our long term debt. All this was accomplished by sticking to the business plan and operating principles we established in November 1997. In 2000, we will test a number of exciting new exploration prospects and aggressively develop our core properties to create additional value for our shareholders.

THE PLAN

CRUDE OIL PRICES
in $ per barrel

Build an entity for and over the long term

We are in the commodity business and need to be mindful that we are price takers, not price makers. Commodity prices have always been cyclical and will always be cyclical; therefore we need to take a long term patient approach in order to benefit from these price fluctuations.

Take advantage of the commodity price cycles

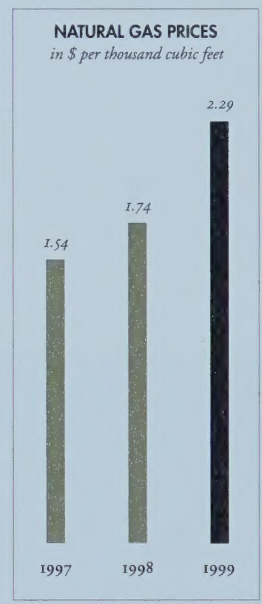
One year ago, oil prices, adjusted for inflation, were at levels not seen since the 1930s. Currently, after a period of supply disruption and demand increases, oil prices have rebounded to highs not experienced in a decade. Natural gas prices have also achieved all time highs after a period of relative stagnation.

During the period of low prices, we felt it was prudent to purchase oil reserves with upside potential while they were selling below long term market value, and defer development of these reserves until prices warranted. Since 1997, we acquired proved plus probable reserves of approximately eight million barrels of oil equivalent for under $4.00 per barrel of oil equivalent. As oil prices strengthened in the summer of 1999, we began developing these properties. As a result, Real's average daily oil production increased 43 percent from 1,403 barrels in the first quarter of 1999 to 2,049 barrels in the fourth quarter. We are now positioned to benefit from our contrarian approach and take advantage of our inventory of low risk oil development projects in this high price cycle.

Build a full cycle exploration program

The Company's exploration strategy is to concentrate primarily on natural gas, generate prospects internally, restrict activity to the Western Canadian Sedimentary Basin, assemble large land positions in focused geologic/geographic areas, and maintain large working interests and operatorship. In implementing this strategy, Real developed the W5M exploration project, focused on an area northwest of Edmonton characterized by medium drilling depths, medium risk and multi-zone potential.

From a concept 18 months ago, we have built W5M into an area in which the Company controls over 200 sections of land, has access to in excess of 420 kilometres of 2-D seismic and has resulted in a sizeable inventory of drilling locations. The first well was spudded in early 1999, and by year end, Real had drilled seven wells. Gas production from this project area will commence during the first quarter of 2000. This is the first step to moving the Company toward a more balanced oil and gas portfolio.



RECORD RESULTS

To maintain profitability during the low oil price experienced during the first quarter of 1999, Real restricted capital spending, minimized drilling, shut-in unprofitable production, and reduced overhead costs. Corporate production dropped below 1,300 barrels of oil equivalent per day in April. However, as prices began to rebound, we increased our drilling effort and by year end, production was averaging more than 2,000 barrels of oil equivalent per day, an increase of over 50 percent in just eight months. For 1999, production averaged 1,699 barrels of oil equivalent per day. Approximately 98 percent of this production is light to medium gravity oil.

Gross revenue for 1999 amounted to $15.8 million, an increase of 60 percent from $9.9 million in 1998. Cash flow on this revenue soared to $13.00 per barrel of oil equivalent in 1999 compared to $4.60 per barrel of oil equivalent in 1998. The majority of this 183 percent increase can be attributed to product price increases; however, we continued our efforts to reduce per unit costs and realized a 9 percent drop in operating costs to $5.86 per barrel of oil equivalent.

Real's 1999 capital expenditure program totalled $12.1 million, with $6.8 million allocated to drilling and completing, $1.4 million to equipping and facilities, and the remainder to acquisitions, land, lease retention and seismic. We received $3.0 million from industry partners to participate in exploration prospects we had generated at Burmis and the W5M gas project, resulting in a net capital expenditure of $9.1 million for the year.

Real's capital program added over 1.6 million barrels of oil equivalent reserves on a proven basis, which equates to finding and development costs of $4.72 per barrel of oil equivalent. Since 1997, when the Company's new management team was established, finding and development costs of proved reserves have been reduced every year. We participated in drilling 22 (13.7 net) wells, resulting in 9 (5.4 net) oil wells, 3 (1.5 net) gas wells, 3 (2.3 net) service wells and 7 (4.5 net) abandoned wells. The bulk of this drilling activity was operated by Real in line with Company operating principles.

Real posted record cash flow and net earnings in 1999 of $8.1 million or $0.13 per share and $4.5 million or $0.07 per share respectively, compared to cash flow of $2.8 million or $0.07 per share and a net loss in 1998.

2000: MOVING FORWARD

As we enter the new millennium, the overall fundamentals for the oil and gas industry are the best Real has ever experienced.

Prices are the highest in 10 years due to a growing demand and a supply that has been constrained by lack of reinvestment. The stock market does not yet reflect industry fundamentals but, like the commodity market, it is sure to enter an upward cycle soon. Then, patience will be rewarded as energy stock prices rise to an appropriate level.

We are looking forward to one of the most active and exciting years in the Company's history. Real's balance sheet is strong, our team is keen, and our inventory of opportunities is excellent.

The Company will continue to build on its large inventory of exploration prospects and undeveloped land. Real will strive to achieve a balance between natural gas and oil on both a reserve and production basis. Real's team will explore for long life reserves in medium depth, medium risk, multiple pay zone areas. The Company will review opportunities for strategic corporate or asset acquisitions that will add significant value by complementing our core operations.

The groundwork has been laid to enable Real to excel in the new millennium — the future looks bright indeed.

OUR APPRECIATION

In closing, I would like to thank our Board of Directors for their guidance and our truly superior staff for their commitment and outstanding efforts.

Effective March 16, 2000, Neil Dixon resigned from Real's Board of Directors to devote his energy to building his new company. Neil has been a member of the Board for the past several years and I would like to express my thanks to him for his contributions to the Company.

I would also like to thank our shareholders for their support.

On behalf of the Board of Directors

LOWELL E. JACKSON
President & Chief Executive Officer

March 22, 2000

RESERVES RECONCILIATION

	Proved	Probable	Total
Crude Oil and NGLS (mbbls)			
January 1, 1999, opening balance	4,128	2,846	6,974
Production	(608)	–	(608)
Revisions	(107)	(893)	(1,000)
Additions	868	447	1,315
Acquisitions	624	523	1,147
Property Dispositions	(38)	(104)	(142)
December 31, 1999, closing balance	**4,867**	**2,819**	**7,686**
Natural Gas (mmcf)			
January 1, 1999, opening balance	5,095	7,237	12,332
Production	(126)	–	(126)
Revisions	(914)	(384)	(1,298)
Additions	1,763	1,058	2,821
Acquisitions	1,813	261	2,074
Property Dispositions	–	(3,038)	(3,038)
December 31, 1999, closing balance	**7,631**	**5,134**	**12,765**

RESERVES BY PROPERTY

(at December 31,1999)	Proved	Probable	Total
Crude Oil and NGLS (mbbls)			
Sounding Lake	1,655	754	2,409
Alida	1,055	319	1,374
Hays/Enchant	766	392	1,158
Rocanville	637	496	1,133
Sounding Lake South	158	93	251
Minor Properties	596	765	1,361
Total	**4,867**	**2,819**	**7,686**
Natural Gas (mmcf)			
Hays/Enchant	4,292	625	4,917
Burmis	–	3,038	3,038
Virginia Hills	1,078	920	1,998
Sounding Lake	811	229	1,040
Minor Properties	1,450	322	1,772
Total	**7,631**	**5,134**	**12,765**

PRESENT WORTH OF FUTURE CASH FLOW

	December 31, 1999			December 31, 1998			December 31, 1997		
	Discounted at			Discounted at			Discounted at		
($ thousands)	0%	15%	20%	0%	15%	20%	0%	15%	20%
Proved	**64,570**	**39,124**	**35,014**	47,136	25,521	22,191	43,027	26,238	23,451
Probable	**30,535**	**12,923**	**10,615**	33,788	14,231	11,801	20,456	8,469	6,843
ARTC	**4,063**	**2,521**	**2,272**	3,962	2,483	2,234	5,480	3,800	3,486
Total	**99,168**	**54,568**	**47,901**	84,886	42,235	36,226	68,963	38,507	33,780

PRICING FORECASTS

	West Texas Intermediate US $/bbl			Edmonton Reference Price Cdn $/bbl			Corporate Average Natural Gas Price Cdn $/mcf		
December 31	**1999**	1998	1997	**1999**	1998	1997	**1999**	1998	1997
1998	–	–	19.00	–	–	26.19	–	–	1.76
1999	–	15.00	20.00	–	21.73	27.20	–	2.20	1.87
2000	**21.00**	17.00	21.00	**29.43**	23.98	28.17	**2.67**	2.25	2.07
2001	**20.00**	19.00	22.00	**27.57**	26.10	29.53	**2.75**	2.30	2.20
2002	**20.50**	20.00	22.66	**27.85**	27.51	30.42	**2.75**	2.41	2.33

PRODUCTION BY AREA

	1999	1998	1997	1996
Crude Oil and NGLS (bbl/d)				
Sounding Lake	**645**	874	–	–
Nelson Lake	**68**	136	–	–
Rocanville	**154**	129	–	–
Hays/Enchant	**143**	106	68	52
Browning/Clarilaw	**113**	103	43	–
Ashley Lake	**67**	83	109	–
Alida	**313**	71	–	–
Evi	**65**	53	120	159
Minor Properties	**97**	53	17	12
Total	**1,665**	1,608	357	223
Natural Gas (mcfd)				
Little Bow	–	–	484	561
Sounding Lake	**55**	–	–	–
Minor Properties	**289**	396	181	291
Total	**344**	396	665	852

DRILLING ACTIVITY
number of net wells drilled

ACREAGE SUMMARY

	Total		Undeveloped		Fair
(at December 31, 1999) (acres)	Gross	Net	Gross	Net	Market value*
Alberta	167,196	64,585	142,167	54,787	$ 2,779,665
Saskatchewan	64,921	29,866	59,970	27,161	1,072,365
Manitoba	26,169	16,126	26,617	16,107	256,308
Total	258,286	110,577	228,754	98,055	$ 4,108,338

DRILLING ACTIVITY

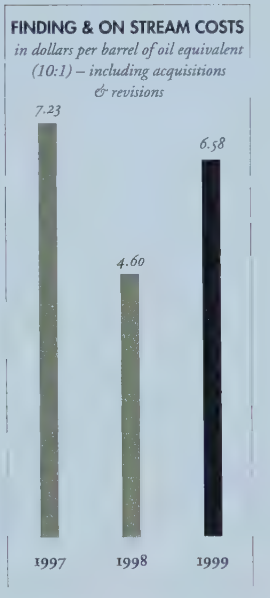
	1999		1998		1997		1996	
	Gross	**Net**	Gross	Net	Gross	Net	Gross	Net
Exploratory Wells								
Oil	–	–	1	0.3	1	0.2	3	0.8
Gas	**2**	**1.0**	1	0.4	–	–	1	0.5
Dry	**6**	**4.0**	5	2.1	5	1.7	5	1.4
Sub-Total	**8**	**5.0**	7	2.8	6	1.9	9	2.7
Success Rate *(%)*	**25**	**20**	29	25	17	11	44	48
Average Working Interest *(%)*	**63**		40		32		30	
Operated Wells	**8**		4		2		3	
Development Wells								
Oil	**9**	**5.4**	24	16.9	5	2.3	2	0.9
Gas	**1**	**0.5**	1	0.1	–	–	–	–
Service	**3**	**2.3**	1	0.2	1	0.5	1	0.5
Dry	**1**	**0.5**	2	1.5	1	0.3	–	–
Sub-Total	**14**	**8.7**	28	18.7	7	3.1	3	1.4
Success Rate *(%)*	**93**	**94**	93	92	86	90	100	100
Average Working Interest *(%)*	**62**		67		44		47	
Operated Wells	**9**		23		3		3	
Total Wells								
Oil	**9**	**5.4**	25	17.2	6	2.5	5	1.7
Gas	**3**	**1.5**	2	0.5	–	–	1	0.5
Service	**3**	**2.3**	1	0.2	1	0.5	1	0.5
Dry	**7**	**4.5**	7	3.6	6	2.0	5	1.4
Sub-Total	**22**	**13.7**	35	21.5	13	5.0	12	4.1
Success Rate *(%)*	**68**	**67**	80	83	54	60	58	66
Average Working Interest *(%)*	**62**		61		38		34	
Operated Wells	**17**		27		5		6	

** Seaton Jordan & Associates Ltd. - Undeveloped Lands Only*

FINDING AND ON-STREAM COSTS

	1999	1998	1997
Finding Costs ($ thousands)			
Land (net of dispositions)	**(1,925)**	2,002	768
Seismic	**1,319**	1,590	789
Drilling and completion	**6,807**	7,715	2,504
Acquisitions	**1,412**	5,730	21,286
Total finding costs	**7,613**	17,037	25,347
Facilities	**1,438**	2,538	591
Total on-stream costs	**9,051**	19,575	25,938
Reserve Additions (including acquisitions & revisions) (Mboe)			
Proved	**1,613.0**	2,155.0	2,249.6
Proved plus probable	**1,376.0**	4,252.7	3,585.8
Finding Cost per Unit ($/boe)			
Proved	**4.72**	7.91	11.27
Proved plus probable	**5.53**	4.01	7.07
On-stream ($/boe)			
Proved	**5.61**	9.08	11.53
Proved plus probable	**6.58**	4.60	7.23

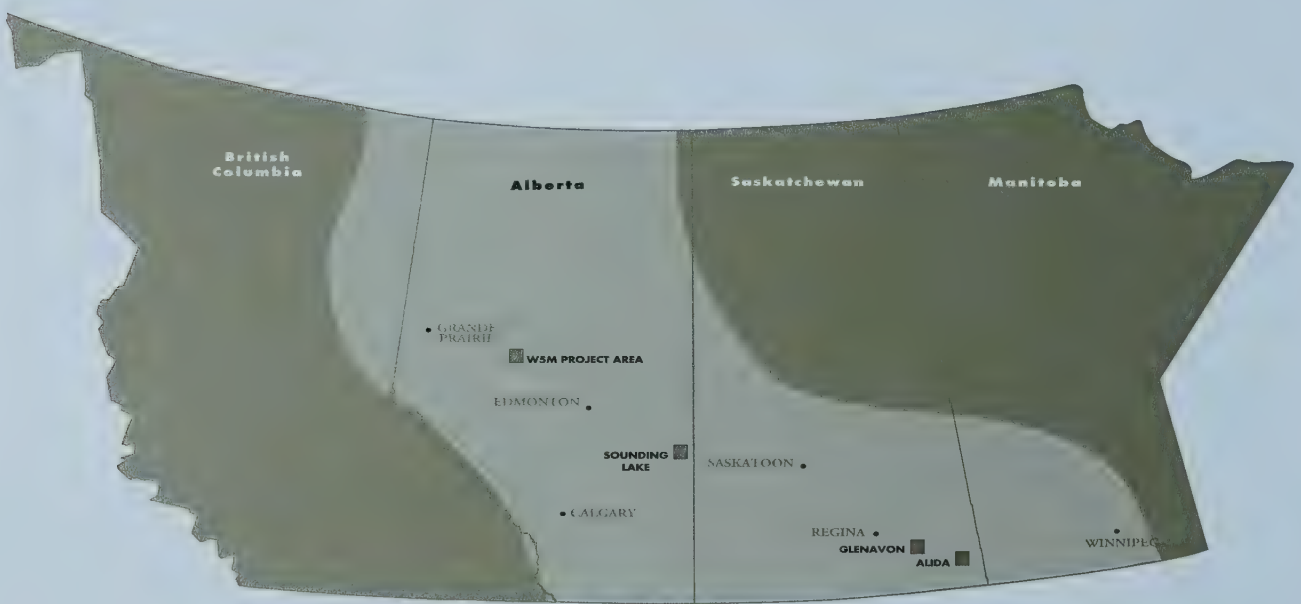
** Oil equivalent 10 mcf = 1 bbl*



REVIEW OF CORE PROPERTIES

Exploration and Development

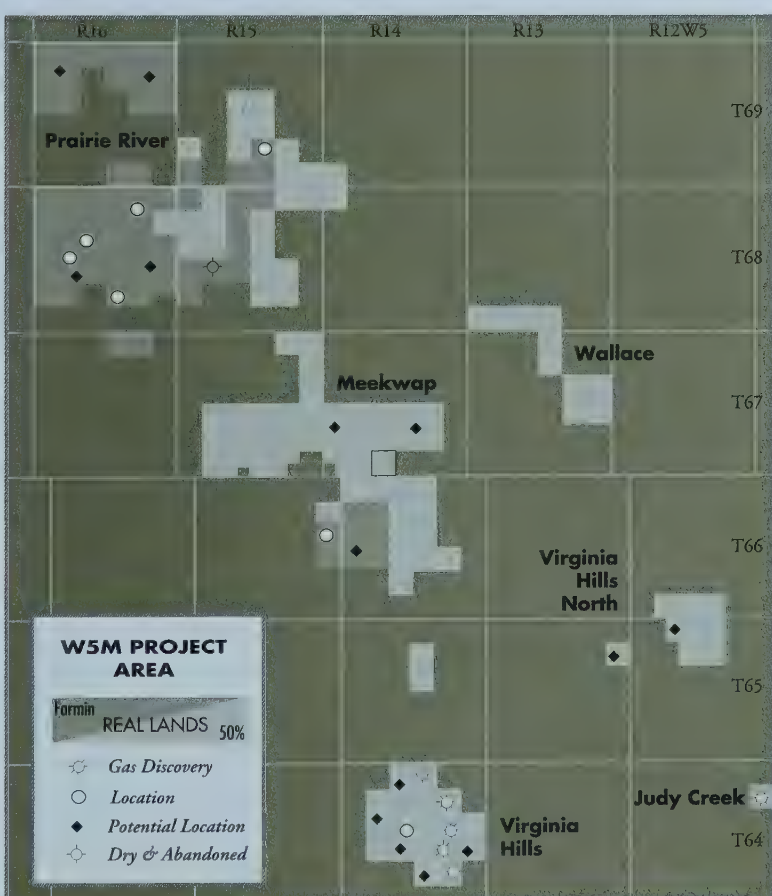
A key objective of management in 1999 was to commit the necessary investment capital to ensure that Real was well positioned for continued growth. Aggressive land acquisition, seismic interpretation and exploration drilling activity in 1999 have provided the Company with more than two years inventory of drilling prospects, much of it located in its Central Alberta W5M project area. The Company is also actively developing two new future project areas, targeting light oil and long life gas reserves. In addition to an ongoing aggressive gas exploration program, Real will continue to build on its core oil production bases in Southeast Alberta and Southeast Saskatchewan.



Real's operated exploration, development and production activities are focussed in three principal areas: Central Alberta, Southeast Alberta and Southeast Saskatchewan. The Company operates the majority of its activities in order to have control of both costs and timing. Currently, Real operates more than 90% of its production. During 1999 the Company significantly expanded its Central Alberta exploration thrust in its new W5M project area, targeting medium to long life, multi-zone liquids rich gas. First quarter 2000 saw a very active W5M drilling program comprised of eight new wells and one re-entry. Development activities were concentrated in Southeast Alberta and Southeast Saskatchewan where Real controls the gathering infrastructure, thus allowing for quick tie-in of new production.

Central Alberta — W5M Project Area

In early 1998 Real decided to pursue an exploration gas strategy in Central Alberta. The focussed areas of activity are Judy Creek, Virginia Hills, Meekwap and Prairie River. The principal reservoir targets, which are gas prone, are contained in Cretaceous, Permian and Mississippian sediments. Real began its land acquisition in mid 1998 and has since gained control of approximately 200 sections of Crown land. The company initiated its active drilling program in the area in early 1999. Considerable 2D seismic has been acquired to assist in minimizing the risk in the drilling program. Since the Prairie River prospect area is winter only accessible, much of the drilling took place in the first quarter of 2000. Fifteen wells have been drilled or re-entered in the W5M project area. Five of the wells were cased as gas wells, with up to four reservoir zones per well. One well was cased as a heavy oil well. In addition three pre-existing wells were re-entered, tested and completed as gas wells. Most of the wells have been completed and production tested. Five of these wells are currently on production at a total rate of approximately 8 mmcf/d (4 mmcf/d net). Additional seismic acquisition and drilling are planned for the balance of 2000 and 2001 .



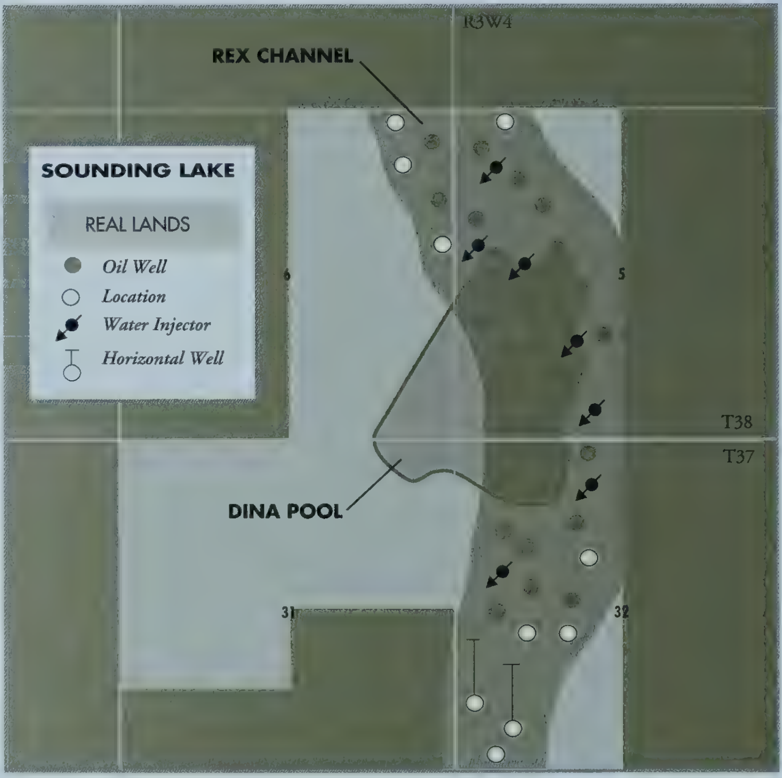
W5M PROJECT — 1999	
Land Holdings:	
Year end 1998 (gross acres)	45,280
Year end 1999 (gross acres)	62,720
Change	39%
Net Reserves (Proved + Probable)	
Year end 1998 (mboe)	16.6
Year end 1999 (mboe)	293.0
Change	1,665%
Drilling Activity	
1998 gross wells	4
1999 gross wells	8
Change	100%
Net Production	
1998 (average daily boe)	N/A
1999 (average daily boe)	N/A

Southeast Alberta

Provost (Sounding Lake) and Hays-Enchant are the principal areas of activity. The reservoir targets, which are oil prone, are contained in Lower Cretaceous, Mississippian and Upper Devonian sediments. Real has acquired considerable 2D and 3D seismic to minimize the risk in its drilling program. At Sounding Lake, Real drilled 3 infill oil wells as well as 3 injectors into the Rex during 1999. Also at Sounding Lake, the Company drilled a new pool Dina oil discovery in early 2000 and is currently planning on additional step out drilling in the second quarter. In late 1999 a successful horizontal Arcs oil well was drilled at Enchant. Additional 2000 drilling is planned in the area for both Arcs and Sawtooth oil.

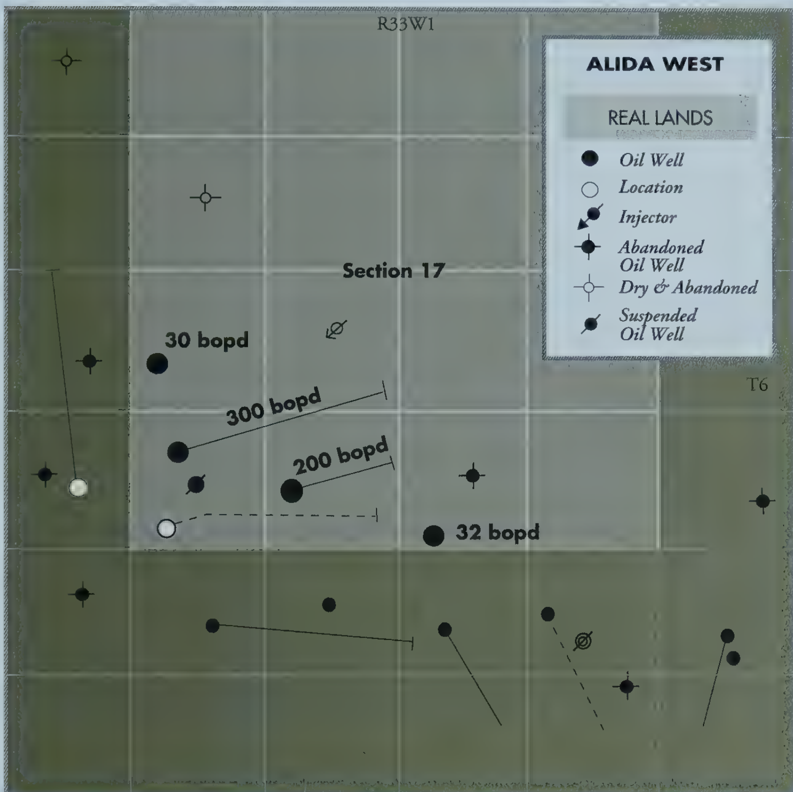
SOUTHEAST ALBERTA — 1999

Land Holdings:	
Year end 1998 (gross acres)	29,904
Year end 1999 (gross acres)	26,144
Change	(13%)
Net Reserves (Proved + Probable)	
Year end 1998 (mboe)	4,106.8
Year end 1999 (mboe)	4,364.1
Change	6%
Drilling Activity	
1998 gross wells	24
1999 gross wells	8
Change	(67%)
Net Production	
1998 (average daily boe)	980
1999 (average daily boe)	883
Change	(10%)



Southeast Saskatchewan

Alida West, Clarilaw and Glenavon are the principal areas of activity. The reservoir targets, which are oil prone, are contained in the Mississippian and Ordivician sediments. The Company has acquired considerable 2D and 3D seismic to minimize the risk in its drilling program. Several successful wells were drilled during the year, including 2 horizontal wells at Clarilaw and 2 horizontal wells at Alida West. The Alida West pool is currently producing approximately 540 bopd, 100% to Real. A third Alida West horizontal well will be drilled early in the second quarter. At Glenavon, the Company will acquire additional 3D seismic and plans to drill at least one Red River test well in the third quarter.

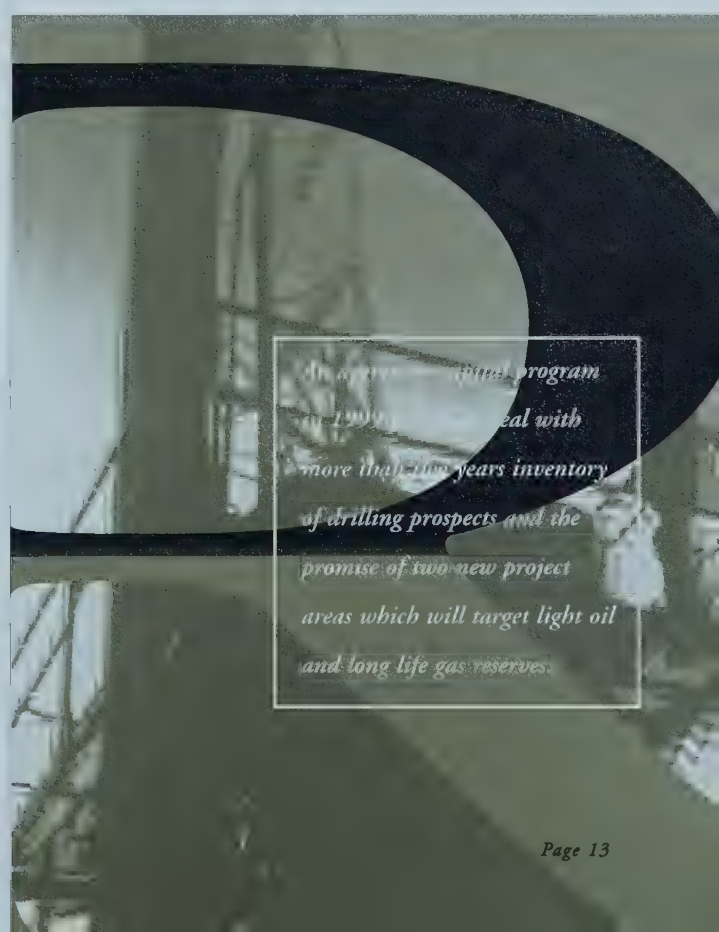


SOUTHEAST SASKATCHEWAN — 1999	
Land Holdings:	
Year end 1998 (gross acres)	60,374
Year end 1999 (gross acres)	60,035
Change	(1%)
Net Reserves (Proved + Probable)	
Year end 1998 (mboe)	950.7
Year end 1999 (mboe)	1,838.5
Change	93%
Drilling Activity	
1998 gross wells	7
1999 gross wells	6
Change	(14%)
Net Production	
1998 (average daily boe)	177
1999 (average daily boe)	426
Change	141%

PRODUCT MARKETING

The company utilizes the services and expertise of various oil and gas marketers to sell its production. Crude oil and natural gas liquids are sold under short term contracts and gas production is sold at AECO spot market prices.

In August of 1999, Real commenced a hedging program to manage the Company's exposure to crude oil price fluctuations. The hedging program will allow the Company to ensure its base capital program can be funded by a threshold cash flow while also realizing increased netbacks from the record oil prices we are now experiencing.

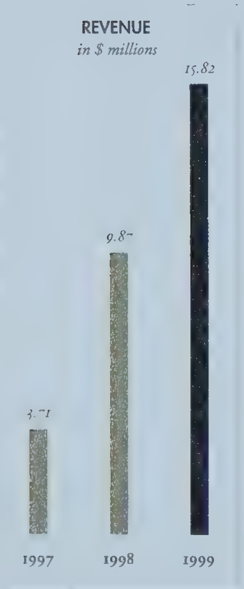


MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the financial statements for the years ended December 31, 1999 and 1998.

OVERVIEW OF 1999

The turnaround in world crude oil prices led the Company to a strong financial performance in 1999. Revenue, cash flows and earnings increased substantially over the previous year. Real took advantage of the favourable crude oil price environment and implemented a hedging program to manage the Company's exposure to crude oil price fluctuations. Real is well positioned financially to pursue opportunities in 2000.



FINANCIAL REVIEW

Revenues

Oil and gas revenue increased 60% to $15,816,000 in 1999 from $9,872,000 in 1998. This substantial revenue growth was a direct result of higher world crude oil prices in 1999.

Average daily oil production increased modestly to 1,665 bbl/d in 1999 from 1,608 bbl/d in 1998. The low crude oil prices experienced during the first quarter of 1999 gave way to significantly higher prices over the remainder of the year. The average oil price received by the Company during 1999 was $25.38 per barrel, a 56% increase from the $16.27 received in 1998.

Natural gas production decreased 13% to 344 mcf/d from 396 mcf/d in 1998. Strengthening natural gas prices raised the Company's average gas price 32% to $2.29 per mcf in 1999 from $1.74 in 1998.

Oil Equivalent * Netbacks

($/boe)	1999	1998
Sales revenue	$ 25.50	$ 16.41
Net royalties	(3.34)	(2.23)
Operating costs	(5.86)	(6.44)
Netback	$ 16.30	$ 7.74

* *Natural gas converted to oil equivalent at 10 mcf = 1 bbl*

Royalties

Royalty expenses increased to $2,564,000 from $1,830,000 in 1998. As a percentage of gross revenue, royalties decreased marginally to 16% in 1999 from 19% in 1998.

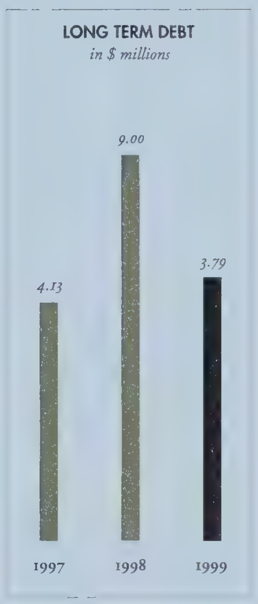
The Alberta Royalty Tax Credit ("ARTC") earned for 1999 remained relatively unchanged at $495,000 compared to $490,000 for 1998. The Company incurred $873,000 of Alberta crown royalties in 1999 as compared with $825,000 for 1998.

Other Income

Interest and other income decreased to $7,000 from $52,000 in 1998. During 1998, gross proceeds received from special warrants issued were held in trust and were invested to earn interest until prospectus receipts were received and the funds were released.

Operating Expenses

Operating expenses decreased 6% to $3,635,000 from $3,874,000 in 1998. On a unit of production basis, operating expenses decreased 9% to $5.86 per boe in 1999 from $6.44 per boe in 1998. Increased production from low operating cost areas and ongoing efforts to reduce operating expenses contributed to the decreases.



General and Administrative Expenses

General and administrative expenses totalled $1,403,000 for 1999 compared with $1,306,000 in 1998. This increase is attributable to the addition of staff and the use of consultants during 1999 as required by the growth in the operations of the Company. On a unit of production basis, general and administrative expenses increased to $2.26 per boe from $2.17 per boe in 1998. Real capitalized $532,000 as compared to $576,000 in 1998 of overhead directly related to acquisition, exploration and development activities.

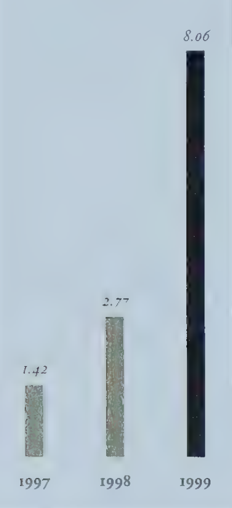
GENERAL AND ADMINISTRATIVE EXPENSES

($ thousands)	1999	1998
Gross expense	$ 2,571	$ 2,511
Operator recoveries	(636)	(629)
Subtotal	1,935	1,882
Capitalized expense	(532)	(576)
Net expense	$ 1,403	$ 1,306

AVERAGE COST PER BARREL EQUIVALENT

($/boe)	1999	1998
Gross expense	$ 4.15	$ 4.18
Operator recoveries	(1.03)	(1.05)
Subtotal	3.12	3.13
Capitalized expense	(0.86)	(0.96)
Net expense	$ 2.26	$ 2.17

CASH FLOW
in $ millions



CASH FLOW PER SHARE
in cents per share basic

Interest Expense

Interest expense for 1999 was $386,000 versus $443,000 in 1998. This 13% decrease reflects the reduced bank debt outstanding during the year and the lower interest rate applicable to the debt.

Depletion and Depreciation

Depletion and depreciation expense decreased to $2,973,000 from $4,852,000 in 1998 as a result of the ceiling test writedown incurred at December 31, 1998. Depletion and depreciation expense was $4.79 per boe in 1999 as compared with $8.06 per boe in 1998.

Site restoration expense increased to $519,000 in 1999 from $504,000 in 1998. At December 31, 1999, the estimated future site restoration costs to be accrued over the remaining life of proven reserves were $4,376,000.

Income Taxes

The Company's current tax expense increased to $269,000 from $193,000 in 1998. The current tax expense relates to Saskatchewan capital tax and large corporations tax. All other current income taxes have been deferred using the Company's accumulated tax pools. As shown in the following table, Real had $33,895,000 of tax pools at December 31, 1999.

SUMMARY OF TAX POOLS AS AT DECEMBER 31, 1999

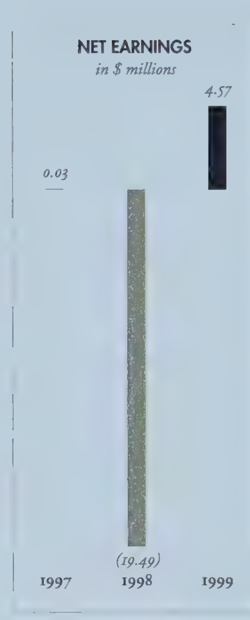
($ thousands)	Balance	Maximum Annual Deduction
Canadian Exploration Expense	$ 8,481	100%
Canadian Development Expense	7,721	30%
Canadian Oil & Gas Property Expense	8,888	10%
Undepreciated Capital Costs	8,748	4 - 30%
Foreign Exploration & Development Expense	57	10%
Total	$ 33,895	

Net Earnings and Cash Flow from Operations

A net earnings of $4,569,000 was posted for the year as compared with a net loss of $19,486,000 in 1998. Net earnings (loss) per basic share increased to $0.08 from $(0.49) in 1998. Fully diluted net earnings (loss) per share increased to $0.07 from $(0.49) in 1998. Cash flow from operations climbed 191% to $8,061,000 from the 1998 amount of $2,768,000. Cash flow from operations per basic and fully diluted share rose to $0.13 from $0.07 in 1998.

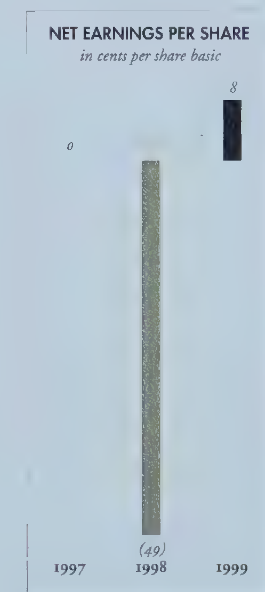
NETBACKS

($/boe)	1999	1998
Oil and gas revenue	$ 25.50	$ 16.41
Net royalties	(3.34)	(2.23)
Operating expenses	(5.86)	(6.44)
Field netback	**16.30**	7.74
Other income	**0.01**	0.09
General and administrative expenses	(2.26)	(2.17)
Interest expense	(0.62)	(0.74)
Current taxes	(0.43)	(0.32)
Cash flow netback	**13.00**	4.60
Depletion and depreciation	(4.79)	(8.06)
Writedown of oil and gas properties	–	(28.88)
Site restoration	(0.84)	(0.84)
Deferred taxes	–	0.79
Corporate netback	$ 7.37	$ (32.39)



LIQUIDITY AND CAPITAL RESOURCES

Real's capital expenditures and acquisitions were funded through a combination of cash flow from operations, property dispositions and equity financing. As at December 31, 1999, the Company had bank debt outstanding of $3,789,000 and a working capital deficiency of $1,973,000 for a total net debt of $5,762,000. This represents a decrease of $2,668,000 from the 1998 net debt amount of $8,430,000.



CAPITAL EXPENDITURES AND FUNDING

($ thousands)	1999	1998
Expenditures:		
Capital assets	$ 10,648	$ 14,134
Property acquisitions	1,412	4,741
Corporate acquisitions	–	990
Total expenditures	$ 12,060	$ 19,865
Funded by:		
Cash flow from operations	$ 8,061	$ 2,768
Issuance of share capital, net	3,677	13,775
Change in long term debt	(5,209)	4,873
Proceeds on property dispositions	2,990	111
Repayment of notes receivable	–	40
Change in working capital	2,541	(1,702)
Total	$ 12,060	$ 19,865

BUSINESS RISKS

Real is engaged in the exploration, development and production of crude oil and natural gas. The Company's business is inherently risky and there is no assurance that hydrocarbon reserves will be discovered and economically produced. Financial risks associated with the petroleum industry include fluctuations in commodity prices, interest rate and currency exchange rates. Operational risks includes competition, environmental factors, reservoir performance uncertainties, complex regulatory environment and safety concerns.

The Company minimizes its business risks by operating a large number of its properties. This enables the Company to control the timing, direction and costs related to exploration and development opportunities. The geological focus is on areas in which the geological prospects are well understood by management. Technological tools are regularly used to reduce risk and increase the probability of success. The Company closely follows all government regulations and has an up to date emergency response plan that has been communicated to all field operations by management. The business risk is further minimized by maintaining a highly motivated and talented staff of petroleum and natural gas professionals.

The Company manages crude oil price risk by using short-term financial derivatives for hedging purposes. As an oil weighted producer, Real's exposure to natural gas commodity price fluctuations is not significant.

YEAR 2000 ISSUE

Real did not experience any material adverse consequences as a result of the changeover from the year 1999 to 2000 and the rollover to February 29, 2000. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the Company, including those related to customers, suppliers, or other third parties, have been fully resolved.

MANAGEMENTS RESPONSIBILITY FOR FINANCIAL STATEMENTS

To the Shareholders of Real Resources Inc.

The accompanying financial statements and all other financial information presented in this annual report are the responsibility of Real's management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Management has developed and maintains systems of internal accounting controls, policies and procedures in order to provide for the safeguarding of assets and preparation of relevant, reliable and timely financial information.

External auditors, appointed by the shareholders, have examined the financial statements. The Audit Committee reviews these statements with management and the auditors and reports to the Board of Directors who approve the financial statements.

Lesley Miller

LESLEY L. N. MILLER
Vice President Finance
& Chief Financial Officer

Lowell Jackson

LOWELL E. JACKSON
President & Chief Executive Officer
Calgary, Alberta, Canada

March 10, 2000

AUDITORS' REPORT

To the Shareholders of Real Resources Inc.

We have audited the balance sheet of Real Resources Inc. as at December 31, 1999 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December 31, 1998 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 31, 1999.

PricewaterhouseCoopers LLP

PRICEWATERHOUSECOOPERS LLP

Chartered Accountants

Calgary, Alberta,

March 10, 2000

BALANCE SHEETS

December 31, 1999 and 1998

(In thousands of dollars)	1999	1998
Assets		
Current assets		
Cash	$ –	$ 442
Accounts receivable	4,915	2,632
Prepaid expenses	82	57
	4,997	3,131
Capital assets (NOTE 3)	30,118	25,216
	$ 35,115	$ 28,347
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 6,970	$ 2,563
Long term debt (NOTE 4)	3,789	8,998
Accumulated future site restoration provision (NOTE 3)	1,238	719
Shareholders' equity		
Share capital (NOTE 5)	38,433	35,951
Deficit	(15,315)	(19,884)
	23,118	16,067
Commitments (NOTE 8)		
Subsequent event (NOTE 11)		
	$ 35,115	$ 28,347

See accompanying notes to financial statements.

On behalf of the Board:

FRANS BURGER

Director

JOHN M. STEWART

Director

STATEMENTS OF OPERATIONS AND DEFICIT

Years ended December 31, 1999 and 1998

(In thousands of dollars, except per share amounts)	1999	1998
Revenue		
Oil and gas	$ 15,816	$ 9,872
Royalties	(2,564)	(1,830)
Alberta Royalty Tax Credit	495	490
Other	7	52
	13,754	8,584
Expenses		
Operating	3,635	3,874
General and administrative	1,403	1,306
Interest on long term debt	386	443
Writedown of oil and gas properties (NOTE 3)	–	17,375
Depletion and depreciation	2,973	4,852
Site restoration	519	504
	8,916	28,354
Earnings (loss) before taxes	4,838	(19,770)
Taxes (recovery) (NOTE 6)		
Current	269	193
Deferred	–	(477)
	269	(284)
Net earnings (loss)	4,569	(19,486)
Deficit, beginning of year	(19,884)	(398)
Deficit, end of year	$ (15,315)	$ (19,884)
Earnings (loss) per share (NOTE 5(F))	$ 0.08	$ (0.49)
Fully diluted earnings (loss) per share (NOTE 5(F))	$ 0.07	$ (0.49)

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Years ended December 31, 1999 and 1998

(In thousands of dollars, except per share amounts)	1999	1998
Cash provided by (used in):		
Operating Activities		
Net earnings (loss)	$ 4,569	$ (19,486)
Items not involving cash		
Writedown of oil and gas properties	–	17,375
Depletion and depreciation	2,973	4,852
Site restoration	519	504
Deferred income taxes (recovery)	–	(477)
Cash flow from operations	8,061	2,768
Changes in non-cash working capital:		
Decrease (increase) in trade and other receivables	(1,671)	16
Increase in prepaid expenses	(25)	(25)
Increase (decrease) in trade and other payables	1,017	(494)
	7,382	2,265
Financing Activities		
Issue of share capital, net	3,677	11,505
Increase (decrease) in long term debt	(5,209)	4,873
Repayment of notes receivable	–	40
	(1,532)	16,418
Investing Activities		
Additions to capital assets	(10,648)	(14,134)
Property acquisitions	(1,412)	(3,461)
Proceeds on property dispositions	2,990	111
	(9,070)	(17,484)
Changes in non-cash working capital:		
Increase in trade and other receivables	(612)	(719)
Decrease in prepaid expenses	–	8
Increase in trade and other payables	3,390	75
	(6,292)	(18,120)
Change in cash	(442)	563
Cash (bank indebtedness), beginning of year	442	(121)
Cash, end of year	$ –	$ 442
Cash flow from operations per share (NOTE 5(F))	$ 0.13	$ 0.07
Fully diluted cash flow from operations per share (NOTE 5(F))	$ 0.13	$ 0.07
Supplementary disclosure:		
Interest paid	$ 386	$ 443
Capital taxes paid	228	89
Non-cash transactions:		
Shares issued on corporate acquisition	–	990
Shares issued on acquisition of oil and gas properties	–	1,280

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 1999 and 1998

(Tabular amounts in thousands of dollars)

1. *Significant accounting policies*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results may differ from these estimates.

(A) JOINT INTERESTS

Significant portions of the Company's oil and gas activities are conducted jointly with others and accordingly, these financial statements reflect only the Company's proportionate interest in such activities.

(B) CAPITAL ASSETS

The Company follows the full cost method of accounting for exploration and development expenditures whereby all costs relating to the acquisition of, exploration for and development of oil and gas reserves are capitalized. Such costs include lease acquisition, geological and geophysical, lease rentals on undeveloped properties, drilling both productive and non-productive wells, production equipment and overhead charges directly related to acquisition, exploration and development activities. Proceeds received from disposals of properties and equipment are credited against capitalized costs unless the disposal would alter the rate of depletion and depreciation by more than 20 percent, in which case a gain or loss on disposal is recorded.

All costs of acquisition, exploration and development of oil and gas reserves, associated tangible plant and equipment costs, and estimated costs of future development of proven undeveloped reserves are depleted and depreciated by the unit of production method based on estimated gross proven reserves as determined by independent engineers. Oil and gas reserves are converted to equivalent units using their relative energy content.

Depreciation of capital assets not related to oil and gas properties is provided using the diminishing balance method at rates between 20 and 30 percent.

Costs of unproved properties are initially excluded from oil and gas properties for the purpose of calculating depletion. These unproved properties are assessed periodically to ascertain whether impairment has occurred. When proven reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion.

The Company applies an annual ceiling test to ensure that its oil and gas properties are carried at the lower of capitalized cost and net recoverable value. Capitalized cost is the net book value of oil and gas properties less the accumulated future site restoration provision and deferred income taxes. Net recoverable value is the amount of estimated future net revenue from production of proven reserves at year end prices and costs, plus the cost of unproved properties (net of impairments), less estimated costs for future administrative overhead, financing, site restoration and income taxes.

(c) Future site restoration

Estimated future site restoration costs for oil and gas properties are provided for over the life of the proven reserves on a unit of production basis. Costs are based on the Company's engineering estimates considering current regulations, costs, technology and industry standards. Actual site restoration expenditures are charged against the accumulated future site restoration provision.

(d) Flow through shares

The Company has financed a portion of its exploration and development activities through the issue of flow through shares. Under the terms of these share issues, the related resource expenditure deductions for income tax purposes are renounced to investors. Accordingly, share capital and capital assets are reduced by the estimated value of the renounced tax deductions.

(e) Hedging transactions

From time to time the Company uses financial instruments to hedge exposures related to commodity prices and foreign exchange fluctuations on a portion of its crude oil production. Gains and losses on these transactions are recognized as part of oil and gas revenue when realized.

(f) Income taxes

The Company follows the tax allocation method of accounting for income taxes. Under this method, deferred income taxes are recorded to the extent that taxable income otherwise determined is adjusted by timing differences.

(g) Comparative figures

Certain comparative figures have been restated to conform to the presentation adopted in the current year.

2. Acquisitions

The Company acquired all of the issued and outstanding shares of ABCOG Corporation ("ABCOG") in 1998. This acquisition was accounted for by the purchase method, and accordingly, the results of operations have been included in these financial statements from the date of acquisition. ABCOG was subsequently amalgamated with the Company and continued as Real Resources Inc.

Date of acquisition	May 20, 1998
Date of amalgamation	Nov 12, 1998
Net assets acquired	
Capital assets	$ 990
Financed by	
Issue of shares	$ 990

3. Capital assets

	1999	1998
Oil and gas properties, plant and equipment	**$ 57,416**	$ 49,561
Other	**321**	301
	57,737	49,862
Less accumulated depletion and depreciation	**27,619**	24,646
	$ 30,118	$ 25,216

At December 31, 1999, oil and gas properties included $3,000,000 (1998: $3,500,000) relating to unproved properties which have been excluded from the depletion and depreciation calculation. Future development costs on proven undeveloped reserves of $3,680,000 are included in the depletion and depreciation calculation.

In 1999, the Company capitalized $532,000 (1998: $576,000) of overhead directly related to acquisition, exploration and development activities.

At December 31, 1999, the estimated future site restoration costs to be accrued over the remaining life of proven reserves were $4,376,000.

For the year ended December 31, 1998, the Company incurred a ceiling test writedown of $17,375,000.

4. Long term debt

The Company has a demand revolving credit facility with a maximum availability in the amount of $17,500,000 with a Canadian chartered bank. The facility bears interest at the bank's prime rate or bankers' acceptance rate plus stamping fee and is secured by a $50,000,000 fixed and floating charge debenture conveying a first fixed charge on certain of the Company's oil and gas assets and a first floating charge on all of the assets and undertakings of the Company.

Repayments are not required provided that the borrowings under the facility do not exceed the lesser of the maximum availability and the borrowing base and the Company is in compliance with all covenants, representations and warrants. The facility is subject to a borrowing base review at least annually.

The bank has indicated that while it reserves the right to request payment on demand, no principal payments are anticipated and the facility will continue in the future provided the Company satisfies the conditions of the facility agreement.

5. *Share capital*

(A) AUTHORIZED

Unlimited number of voting common shares without par value.

Unlimited number of first, second, third and fourth class preferred shares, issuable in series.

(B) COMMON SHARES ISSUED

	1999		1998	
	Number of shares	**Amount**	Number of Shares	Amount
Balance at beginning of year	**47,692,162**	**$ 36,031**	32,542,406	$ 23,568
Issued for cash on exercise of stock options	–	–	18,000	9
Issued for cash on flow through shares issues	**420,625**	–	2,881,740	3,058
Issued for cash	**16,000,000**	**4,000**	9,550,016	8,755
Issued on acquisition of oil and gas properties	–	–	1,600,000	1,280
Issued on ABCOG acquisition	–	–	1,100,000	990
Tax benefit renounced on flow through shares	–	**(1,195)**	–	(1,312)
Issue costs	–	**(323)**	–	(759)
Flow through shares to be issued (note 5(C))	–	–	–	442
	64,112,787	**38,513**	47,692,162	36,031
Less notes receivable (note 5(G))	–	**(80)**	–	(80)
Balance at end of year	**64,112,787**	**$ 38,433**	47,692,162	$ 35,951

(C) FLOW THROUGH SHARES TO BE ISSUED

Subsequent to December 31, 1998, pursuant to a flow through share subscription agreement, the Company incurred required exploration expenditures in the amount $442,000 and issued 420,625 flow through common shares for the same amount.

(D) OPTIONS

The Company has a stock option plan that provides for the issuance of options to its directors, officers and employees to acquire up to 6,411,278 common shares. No compensation expense is recognized for this plan when stock or stock options are issued to employees. Consideration paid by employees on exercise of stock options and purchase of stock is credited to share capital.

A summary of the status of the Company's stock option plan as of December 31, 1999 and 1998, and changes during the years ending on those dates is presented below:

	1999			1998		
	Number of Options		**Weighted Average Exercise Price**	Number of Options		Weighted Average Exercise Price
Outstanding at beginning of year	**3,320,000**	**$**	**0.89**	1,380,000	$	0.86
Granted	**2,460,000**	**$**	**0.43**	2,440,000	$	0.91
Exercised	–		–	(18,000)	$	0.50
Expired/Cancelled	(676,667)	$	0.77	(482,000)	$	0.91
Outstanding at end of year	**5,103,333**	**$**	**0.61**	3,320,000	$	0.89
Options exercisable at end of year	**1,331,112**	**$**	**0.80**	566,667	$	0.82

During 1999, stock options previously granted to non-management employees with exercise prices greater than $0.66 were repriced at $0.42.

The following table summarizes information regarding stock options outstanding at December 31, 1999:

OPTIONS OUTSTANDING						OPTIONS EXERCISABLE		
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life		Weighted Average Exercise Price	Number Exercisable		Weighted Average Exercise Price
$ 0.33 - $ 0.37	365,000	4.8	$	0.36	–		–
$ 0.40 - $ 0.455	2,393,333	3.9	$	0.41	286,111	$	0.42
$ 0.50 - $ 0.52	100,000	4.8	$	0.50	–		–
$ 0.60	325,000	4.4	$	0.60	25,000	$	0.60
$ 0.75	125,000	3.8	$	0.75	41,667	$	0.75
$ 0.80 - $ 0.85	440,000	1.6	$	0.85	426,667	$	0.85
$ 0.90	905,000	3.0	$	0.90	301,667	$	0.90
$ 1.05 - $ 1.10	450,000	2.9	$	1.08	250,000	$	1.07
	5,103,333	3.6	$	0.61	1,331,112	$	0.80

Subsequent to year end, the Company granted options to purchase 360,000 common shares at prices ranging from $0.48 to $0.49 per share which expire in February 2005. Also subsequent to year end, options with respect to 63,333 shares expired.

(E) WARRANTS

At December 31, 1999, warrants to purchase 1,250,000 common shares at an exercise price of $1.00 per share were outstanding. The warrants expire in September 2001.

(F) PER SHARE AMOUNTS

Earnings and cash flow from operations per share are calculated using the weighted average number of common shares outstanding of 60,131,902 (1998: 39,410,708). Fully diluted earnings and cash flow from operations per share calculations include imputed interest of $262,000 (1998: $198,000) calculated at a rate of 6.50 percent (1998: 6.65 percent) on proceeds from the exercise of options and warrants.

(G) NOTES RECEIVABLE

In 1996, the Company advanced an aggregate amount of $160,000 to holding companies of two officers. The notes, each in the amount of $80,000, were advanced to the officers to purchase 100,000 common shares of the Company. The common shares are pledged as security on the notes. The notes are non-interest bearing and were repayable in four equal annual installments commencing in 1997. Two installment payments were made in accordance with this repayment schedule. During 1999, the Company granted a one year deferral for the payments due in 1999 and 2000. The balance receivable is now due in two equal annual installments commencing in 2000.

6. *Income taxes*

The differences between the expected income tax provision based on the combined federal and provincial statutory tax rate of 44.6 percent and the amount actually provided are as follows:

	1999	1998
Expected income taxes (recovery)	$ 2,159	$ (8,821)
Non-deductible crown payment	794	592
Alberta Royalty Tax Credit	(221)	(218)
Resource allowance	(1,134)	(503)
Non-deductible depletion	230	1,705
Unrecognized benefit of losses	–	6,889
Benefit of prior year losses	(1,695)	–
Other	(133)	(121)
	–	(477)
Capital taxes	269	193
	$ 269	$ (284)

At December 31, 1999, capital assets with a net book value of $5,383,000 (1998: $4,415,000) are without cost basis for income tax purposes.

Related parties

In 1998, on the acquisition of ABCOG, the Company issued 429,000 common shares at $0.90 per share to a director that held shares of ABCOG. The issuance of the shares to the director was approved by shareholders. A holding company of the director has a 1.5 percent overriding royalty interest in the non-producing properties acquired.

A director of the Company is a partner of a law firm that was paid $83,000 (1998: $322,000) for legal services.

8. *Commitments*

OPERATING LEASES

The Company is committed to payments under operating leases for office space and vehicles as follows:

2000	$ 400
2001	319
2002	296
2003	49
	$ 1,064

Financial instruments

The carrying values of financial assets and liabilities approximate their fair value due to their demand nature or relatively short periods to maturity.

A substantial portion of the Company's accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. Purchasers of the Company's oil, gas and natural gas liquids are subject to an internal credit review to minimize the risk of non-payment.

At December 31, 1999 and 1998, all of the long term debt was floating rate debt and there were no material contracts or options in place to fix the interest rate on this debt.

The Company uses derivative financial instruments to manage its foreign currency and commodity price exposures. These financial instruments are entered into for hedging purposes only. The estimated market value of the outstanding contracts for derivative financial instruments as at December 31, 1999 was a loss of $15,000.

As at December 31, 1999, the Company had hedged 400 barrels per day at an average price of U.S.$21.49 per barrel through price swaps maturing in 2000. The Company entered into foreign exchange contracts to hedge the U.S. dollar exchange rate applicable on these price swaps. The Canadian dollar equivalent of the crude oil price swaps averages $31.58.

An additional 500 barrels per day for 2000 was hedged through collar arrangements whereby the price the Company will receive will range between U.S.$17.00 per barrel and U.S.$26.25 per barrel. A foreign exchange contract was entered into to hedge the exchange rate at 1.467 on a notional volume of 500 barrels per day at U.S.$18.00 until June 30, 2000.

10. Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the Company, including those related to customers, suppliers, or other third parties, have been fully resolved.

11. Subsequent event

On January 7, 2000, the Company acquired all the issued and outstanding shares of Flatland Resources Inc. ("Flatland"), a privately held oil and gas company, for cash consideration of $4,000,000. The Company and Flatland were amalgamated on January 7, 2000.

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Martin G. Abbott
Frans Burger
Dallas L. Droppo
Stan G.P. Grad
John M. Stewart

OFFICERS

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President & Chief Executive Officer

Gordie D. Crowell, P.Geol
Vice President Exploration

Ken P. Murphy, P.Land
Vice President Land & Corporate Development

Lesley L.N. Miller, C.A.
Vice President Finance & Chief Financial Officer

Sig G. Slotboom, P.Eng.
Vice President Production & Engineering

Dallas L. Droppo
Secretary

LEGAL COUNSEL

Blake, Cassels & Graydon LLP

BANKER

Bank of Montreal

REGISTRAR AND TRANSFER AGENT

Montreal Trust Company of Canada

AUDITORS

PricewaterhouseCoopers LLP

RESERVE CONSULTANTS

Paddock Lindstrom & Associates Ltd.

STOCK EXCHANGE

The Toronto Stock Exchange

Trading Symbol: RER

REAL RESOURCES INC. — 1999 ANNUAL REPORT